

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6773

BILL NUMBER: HB 1276

NOTE PREPARED: Mar 13, 2010

BILL AMENDED: Mar 5, 2010

SUBJECT: French Lick Resort Matters.

FIRST AUTHOR: Rep. Blanton

FIRST SPONSOR: Sen. Steele

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *French Lick Casino Admissions Tax:* The bill reduces the admissions tax imposed at the French Lick riverboat from \$4 to \$3. It eliminates admissions tax distributions to the Orange County Development Commission and the West Baden Springs Historic Hotel Preservation and Maintenance Fund (Fund). It also adjusts the amounts paid to other recipients of the admissions tax collected at French Lick.

French Lick Casino Wagering Tax: The bill provides that riverboat wagering taxes previously transferred to the Orange County Convention and Visitors Bureau must be transferred to the Orange County Development Commission and the Indiana Economic Development Corporation.

West Baden Springs Historic Hotel Preservation and Maintenance Fund: The bill permits the operating agent to submit claims for the reimbursement of certain expenditures to maintain the West Baden Springs hotel property. It also requires the Department of Natural Resources to pay the claims and annually appropriates interest accruing to the Fund for the payment of the claims.

Other: The bill updates the definition of "riverboat" to conform to recent improvements to the French Lick casino.

Effective Date: Upon passage; July 1, 2010.

Explanation of State Expenditures: *West Baden Springs Historic Hotel Preservation and Maintenance Fund:* The bill makes several changes relating to the disposition of interest earnings from the West Baden Springs Historic Hotel Preservation and Maintenance Fund beginning in FY 2010. It is estimated that interest accruing to the fund annually could total \$60,000 in FY 2010 and \$300,000 in FY 2011. This assumes an

average return on principal in the fund of about 0.4% in FY 2010 and 1.6% in FY 2011.

Under current statute, the fund receives 19% of the riverboat wagering tax and 13% of the riverboat admissions tax paid by the French Lick Casino. The fund is administered by the Department of Natural Resources (DNR). Current statute authorizes the General Assembly to appropriate interest in the fund to the DNR only to: (1) maintain the parts of the West Baden Springs Hotel that were restored before July 1, 2003; and (2) maintain the grounds surrounding the West Baden Springs Hotel. The bill specifies that interest accruing to the fund is annually appropriated to the DNR to pay maintenance expense claims by the owner of the West Baden Springs Hotel. The allowable maintenance expenses are as specified under current statute. The bill also requires DNR to promptly pay the claims of the hotel owner to the extent interest is available in the fund. The bill also prohibits interest accruing to the fund from being withheld, transferred, assigned, or reassigned to another purpose under any other state law. Cash and investment assets in the fund totaled \$16.6 M at the close of FY 2009.

Explanation of State Revenues: *Summary:* The bill: (1) reduces the riverboat admissions tax paid by the French Lick Casino from \$4 per admission to \$3 per admission and changes the distribution of revenue from this tax; and (2) changes the distribution of revenue from the riverboat wagering tax paid by the French Lick Casino. The estimated impact on state revenue from these changes is summarized in the table below.

Recipient	FY 2011	FY 2012
Indiana Economic Development Corporation	\$35,000	\$12,000
West Baden Springs Historic Hotel Preservation and Maintenance Fund	(\$448,000)	(\$598,000)

Background Information:

French Lick Riverboat Admissions Tax - The bill makes the following changes: (1) reduces the riverboat admissions tax paid by the French Lick Casino from \$4 per admission to \$3 per admission beginning in FY 2011; (2) eliminates distributions of admissions tax revenue from the French Lick Casino to the Orange County Development Commission and the West Baden Springs Historic Hotel Preservation and Maintenance Fund beginning with admissions tax collected in FY 2011; and (3) increases the distribution percentages of the other entities receiving admissions tax revenue from the French Lick Casino beginning with admissions tax collected in FY 2011.

The reduction in the admissions tax rate for the French Lick Casino is estimated to reduce revenue from the tax by about \$862,000 in FY 2011 and \$1.15 M in FY 2012. (Note: Due to the one-quarter lag between collection and distribution of admissions tax revenue, the rate reduction will affect quarterly revenue distributions for three quarters in FY 2011, with the full-year impact beginning in FY 2012.) The bill would mitigate the revenue impact of the tax rate reduction to most of the recipients of the admission tax revenue by eliminating the distributions to the Orange County Development Commission and the West Baden Springs Historic Hotel Preservation and Maintenance Fund and adjusting the remaining distributions. The distribution changes and their estimated impacts are summarized in the table below. The revenue loss estimate is based on the December 15, 2009, Revenue Technical Committee forecast.

Revenue Impact of French Lick Casino Admission Tax Changes				
Recipient	Admissions Tax Distribution		Impact	
	Current (\$4)	Proposed (\$3)	FY 2011	FY 2012
Orange County, Dubois County, Crawford County*	22%	29.33%	0	0
Orleans	5%	6.67%	0	0
Paoli	5%	6.67%	0	0
French Lick, West Baden Springs**	20%	26.67%	0	0
Orange County Development Commission	10%	0%	(\$345,000)	(\$460,000)
West Baden Springs Historic Hotel Preservation and Maintenance Fund	13%	0%	(\$448,000)	(\$598,000)
Indiana Economic Development Corporation	25%	30.66%	(\$69,000)	(\$92,000)
TOTAL	100%	100%	(\$862,000)	(\$1,150,000)
*This distribution is split 54.5% to Orange County and 22.75% each to Dubois County and Crawford County.				
**This distribution is split equally between French Lick and West Baden Springs.				

The West Baden Springs Historic Hotel Preservation and Maintenance Fund is administered by DNR. Current statute authorizes the General Assembly to appropriate interest in the fund to the DNR only to: (1) maintain the parts of the West Baden Springs Hotel that were restored before July 1, 2003; and (2) maintain the grounds surrounding the West Baden Springs Hotel. The fund also receives 19% of the riverboat wagering tax paid by the French Lick Casino. Cash and investment assets in the fund totaled \$16.6 M at the close of FY 2009.

French Lick Riverboat Wagering Tax - The bill makes the following changes:

(1) The bill shifts an estimated \$414,000 in annual wagering tax revenue from the Orange County Convention and Visitors Bureau (CVB) to the Orange County Development Commission. Currently, 16% of the wagering tax is distributed to French Lick and West Baden Springs. At least 12.5% of this distribution must be transferred to the Orange County CVB. This transfer is estimated to total about \$414,000 in FY 2011 and FY 2012. The bill requires this transfer instead to be made to the Orange County Development Commission beginning in FY 2011.

(3) The bill shifts an estimated \$104,000 in annual wagering tax revenue from the Orange County CVB to the Indiana Economic Development Corporation (IEDC). Currently, 0.5% of the wagering tax is distributed directly to the Orange County CVB. This distribution is estimated to total about \$104,000 in FY 2011 and FY 2012. The bill requires this distribution instead to be made to the IEDC beginning in FY 2011.

Explanation of Local Revenues: The bill: (1) reduces the riverboat admissions tax rate paid by the French Lick Casino from \$4 per admission to \$3 per admission; and (2) makes changes to the distributions of riverboat admissions tax revenue and riverboat wagering tax revenue from the French Lick Casino. (See *Explanation of State Revenues* for a summary of local fiscal impacts and background discussion of tax and distribution changes.)

State Agencies Affected: IGC; IEDC; DNR.

Local Agencies Affected: Recipients of riverboat admissions tax and wagering tax from the French Lick Casino.

Information Sources: State Auditor's revenue trial balance and object trial balance for FY 2009; Revenue Technical Committee Forecast (December 15, 2009).

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